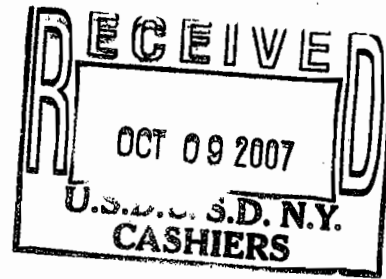


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Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE SWAIN

TERRY KLEIN, derivatively on behalf
of LSB INDUSTRIES, INC.

Plaintiff Demands a Jury
Trial

Plaintiff,

07 CIV 87 10

v.

KENT C. MCCARTHY, JAYHAWK CAPITAL
MANAGEMENT, L.L.C., JAYHAWK
INSTITUTIONAL PARTNERS, L.P.,
JAYHAWK INVESTMENTS, L.P. and LSB
INDUSTRIES, INC.

COMPLAINT

Defendants.

TERRY KLEIN, by her attorneys, Bragar Wexler & Eagel PC and Ostrager Chong Flaherty & Broitman P.C., complaining of defendants, alleges upon information and belief as to all paragraphs except paragraph 1, as follows:

1. Plaintiff Terry Klein ("Klein") is a New York resident who is the owner of common stock of LSB Industries, Inc.

2. Defendant LSB Industries, Inc ("LSB" or the "Company"), a nominal defendant herein, is a Delaware corporation with its principal place of business at 16 South Pennsylvania Avenue, Oklahoma City, OK 73107.

3. Defendants Jayhawk Institutional Partners, L.P. ("Partners") and Jayhawk Investments, L.P. ("Investments") are Delaware limited partnership with their principal place of business at 5410 West 61st Place, Suite 100, Mission, KS 66205.

4. Defendant Jayhawk Capital Management, L.L.C. ("Management") is a Delaware limited liability company. Defendant Kent C. McCarthy ("McCarthy") is the manager of Management and controls its activities. Management and McCarthy have their principal place of business at 5410 West 61st Place, Suite 100, Mission, KS 66205.

Jurisdiction and Venue

5. This action is brought derivatively on behalf of LSB pursuant to Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §78p ("§ 16(b)"), to obtain disgorgement of profits obtained by defendants in violation of

that statute. Jurisdiction of this court and venue in this district are proper pursuant to 15 U.S.C. § 78(a)(a).

The Governing Law

6. Section 16(b) of the Exchange Act provides that if a person, while beneficially owning more than 10 percent of a class of equity securities of an issuer, purchases and sells or sells and purchases shares of any equity security of such issuer within a period of less than six months, any profits arising from those transactions are recoverable by the issuer or by a shareholder suing derivatively on its behalf.

7. Under Rule 16a-1(a)(1) promulgated under the Exchange Act, where two or more persons "act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of an issuer" as set forth in Section 13(d)(3) of the Exchange Act, such persons are deemed to be a "group" for purposes of determining § 16(b) liability. Under SEC Rule 16a-1, the shares held by persons in such a group are aggregated to determine whether the group has a greater than 10% beneficial ownership in the issuing corporation. If the aggregate number of shares beneficially owned by the group exceeds 10%, each member of the group is deemed to be a greater than 10% beneficial owner and is liable

to disgorge profits which such group member earned in stock transactions effected within a six-month period.

8. Defendants Partners, Investments and Management (collectively, the "Jayhawk Group") constitute a group under § 13(d)(3) and § 16(b) of the Exchange Act. The Jayhawk Group's members garnered short-swing profits disgorgeable to the Company in the transactions hereinafter set forth.

9. At all relevant times, the Jayhawk Group owned in excess of 10% of LSB's common stock. The members of the Jayhawk Group engaged in purchases and sales of LSB Common Stock at times when the Jayhawk Group was a greater than ten percent beneficial owner of the Company's outstanding common stock as described below.

Purchases

10. On or about October 17, 2006, Partners purchased 3,140 shares of \$3.25 Convertible Exchangeable Class C Preferred Stock, Series 2 ("Class C Preferred") at a price of \$62.55 per Class C share.

11. On October 18, 2006, Investments is deemed to have purchased 9,210 shares of Class C Preferred at a price of \$38.79 per Class C share, as a result of distributions by Primarius

Focus and Primarius Partners, LP.

12. On December 15, 2006, Investments purchased 800 shares of Class C Preferred at a price of \$74.50 per Class C share.

13. On December 15, 2006, Investments purchased 2,500 shares of Class C Preferred at a price of \$75.50 per Class C share.

14. On December 18, 2006, Investments purchased 500 shares of Class C Preferred at a price of \$72.00 per Class C share.

15. On December 22, 2006, Investments purchased 100 shares of Class C Preferred at a price of \$75.00 per Class C share.

16. On December 29, 2006, Investments purchased 100 shares of Class C Preferred at a price of \$89.00 per Class C share.

17. On December 29, 2006, Investments is deemed to have purchased 1,600 shares of Class C Preferred at a price of \$50.39 per Class C shares, as a result of distributions by BCS Capital LP.

18. On January 4, 2007, Investments purchased 162 shares of Class C Preferred at a price of \$78.00 per Class C share.

Sales

19. On March 13, 2007, Investments disposed of 77,130 shares of Class C Preferred in exchange for 570,762 shares of Common Stock in an issuer tender exchange offer, and Partners disposed of 90,720 shares of Class C Preferred in exchange for 671,328 shares of Common Stock in an issuer tender exchange offer. Based upon the closing price of the Company's Common Stock on March 13, 2007, this sale is deemed to have been made at a price per Class C Share of \$96.94.

20. All of the above-mentioned sales and purchases occurred while the Jayhawk Group (and each member of the Jayhawk Group) was a greater than 10% beneficial owner of the Company's Common Stock. The purchases and sales made by Partners and Investments are attributable to Jayhawk and McCarthy to the extent of their pecuniary interest in transactions by such entities.

21. Moreover, members of the Group may have made additional purchases and sales of LSB's stock which may lead to additional profits to be disgorged as to which plaintiff is now unaware.

22. As a result of the transactions described above, the Jayhawk Group's members are liable to LSB in the sum of

\$819,562.10 plus interest.

As and For a Claim For Relief

23. Plaintiff repeats and realleges each of the allegations contained in paragraphs 1 through 22 as if fully set forth herein.

24. Defendant McCarthy, in his capacity as manager and sole member of Jayhawk, has a pecuniary interest in transactions by Partners and Investments, and Jayhawk, in its capacity as general partner and manager of Partners and Investments, has a pecuniary interest in transactions by Partners and Investments, respectively.

25. Defendant McCarthy is liable to disgorge profits to LSB to the extent of his pecuniary interest in those transactions.

Allegations As To Demand

26. On or about May 23, 2007, plaintiff made demand upon LSB to commence this lawsuit. The Company has declined to do so.

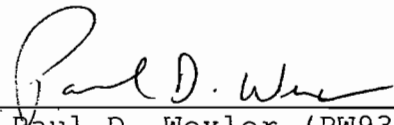
WHEREFORE, plaintiff demands judgment on behalf of LSB against defendants, as described above, plus attorneys' fees,

interest and such other and further relief as to the Court may seem just and proper.

Dated: New York, New York
October 8, 2007

Yours, etc.

BRAGAR WEXLER & EAGEL PC

By 
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